

NQUTHU MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2007

NQUTHU MUNICIPALITY

INDEX

	Page Number
1 GENERAL INFORMATION	2
2 FOREWORD	3
3 REPORT OF THE AUDITOR-GENERAL	4
4 REPORT OF THE CHIEF FINANCIAL OFFICER	5
5 ACCOUNTING POLICIES	7
6 BALANCE SHEET	9
7 INCOME STATEMENT	10
8 CASH FLOW STATEMENT	11
9 NOTES TO THE FINANCIAL STATEMENTS	12
10 APPENDICES	
A STATUTORY FUNDS, RESERVES AND PROVISIONS	18
B EXTERNAL LOANS AND INTERNAL ADVANCES	19
C ANALYSIS OF FIXED ASSETS	20
D ANALYSIS OF OPERATING INCOME AND EXPENDITURE	21
E DETAILED INCOME STATEMENT	22
F STASTICAL INFORMATION	23

NQUTHU MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE NQUTHU MUNICIPALITY EXECUTIVE COMMITTEE.

Councillor F B H Mazibuko (Mayor)
Councillor N M Zungu (Deputy Mayor)
Councillor A M Mtshali (Speaker)
Councillor E N Molefe
Councillor T G Ntshalintshali
Councillor T A Mnomezulu
Councillor P M Ngobese

MEMBERS OF THE NQUTHU MUNICIPALITY COUNCIL

Councillor E T Buthelezi
Councillor V B Mtombela
Councillor N N Khanyile
Councillor R A Ndlovu
Councillor F E Khumalo
Councillor F I Mdlalose
Councillor E M Mkhwanazi
Councillor C N Mhlanga
Councillor S D Buthelezi
Councillor S M Kunene
Councillor G J G Mncube
Councillor R S Langa
Councillor S Ndlovu
Councillor V H N Makhoba
Councillor C S Ngobese
Councillor J C Ndlovu
Councillor S S Mdladla
Councillor A B Zulu
Councillor S M Buthelezi
Councillor A M Langa
Councillor T C Njoko
Councillor N P Zulu
Councillor T M Ndlovu

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

Office of the Auditor-General

BANKERS

Absa

REGISTERED OFFICE

83/11 Mdlalose Street
Nquthu
3135

Private Bag X 5521
Nquthu
3135

Telephone: (034) 2716100
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MUNICIPAL MANAGER

Jacob Luvuno: Sec Teachers Dipl(Commerce)
N D Bussiness & Fin Administration
Masters Cert. in Tourism & Community Dev

CHIEF FINANCIAL OFFICER

Bonga Sithole : B Com

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 9 to 22 were approved by the Municipal Manager on 31 August 2007 and presented to and approved by Council on _____

NQUYHU MUNICIPALITY

FOREWORD

FOREWORD BY HIS WORSHIP THE MAYOR

Honourable Speaker, Deputy Mayor ,Members of the Executive Committee and Councillors:

Herewith our financial statements for the financial year ended 30 June 2007

From these statements you will note that we have closed our books with a surplus whilst we have not compromised on service delivery.

The financial control measures which we have installed and which we continuously upgrade and improve are beginning to reap benefits.

May I place on record my thanks to my colleagues in the Executive Committee, the Municipal Manager and his staff , for a job well done.

Mayor

30 August 2007

NQUTHU MUNICIPALITY
REPORT OF THE AUDITOR-GENERAL

NQUTHU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Report by the Chief Financial Officer

1 OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2007 are as follows.

	ACTUAL 2006	ACTUAL 2007	VARIANCE 2006/2007	BUDGET 2007	VARIANCE ACTUAL/BUDGET
INCOME	R	R	%	R	%
Opening Surplus	259 264	3 409 055			
Operating Income for the year	22 589 862	26 691 320	18.16%	31 712 006	-15.83%
	22 849 126	30 100 375		31 712 006	
EXPENDITURE					
Operating Expenditure for the year	19 380 526	16 143 129	-16.70%	28 001 470	-42.35%
Sundry transfers	59 544	(311 047)			
Closing surplus/(deficit)	3 409 055	14 268 293		7 288 903	
	22 849 125	30 100 375		35 290 373	

The water, sewerage and electricity functions have been transferred to the District Municipality as from 1 July 2004.

2 CAPITAL EXPENDITURE AND FINANCING

Expenditure on Fixed assets during the year amounted to R 7020 422.00
A comparison between actual and budget consisted of the following:

	ACTUAL 2007	BUDGET 2007	ACTUAL 2007
	R	R	R
Administration	7 100 297	-	-
Busrank	-	-	-
Library Services	-	-	-
Traffic Service	-	-	-
Public Works	-	-	-
Refuse	-	-	-
Town Estates	-	-	-
Public Improvement Fund	-	-	-
Housing	-	-	-
	7 100 297	-	-

A complete analysis of capital expenditure (Budget and actual) per department, classification or service is included in appendix C.

Resources used to finance the fixed assets were as follows:

	ACTUAL 2007	BUDGET 2007	ACTUAL 2006
	R	R	R
Contribution from revenue	79 875	2 003 835	218 821
Grants	7 020 422	(2 003 835)	2 015 629
Internal Loans	-	-	-
	7 100 297	-	2 234 450

More details regarding internal advances used to finance fixed assets are shown in appendix B.

3 EXTERNAL LOANS, INVESTMENTS AND CASH.

External loans outstanding on 30 June 2007 amount to R 6440816.00 (R 340836.00 in 2006) as set out in appendix B. An amount of R 920 442.00 was repaid during the year.

Investments and cash on 30 June 2007 amount to R 3 310 040.008 (R 1 895 140.00 in 2006). Cash and investments represent the following:

General Reserves	1 293 535
Capital Development Fund	1 290 105
PIF	726 400
	<u><u>3 310 040</u></u>

More information regarding loans and investments are disclosed in note 3 and 5 of the financial statements.

4 FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves and provisions is disclosed in the notes and Appendix A to the financial statements.

5 APPRECIATION

I would like to thank the Mayor, the deputy Mayor, Speaker, the Chairman and Members of the executive Committee, and other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of thanks to the Department of Traditional and Local Government Affairs, the consultants and personnel of the Finance Department for their loyal and commitment in preparing the financial accounts of our municipality.

Bonga Sithole
Chief Financial Officer
31 August 2007

NQUTHU MUNICIPALITY

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on the Published Annual Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in Accounting Policy note three. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- (i) Income is accrued when collectable and measurable. Certain direct income is accrued when received such as traffic fines and certain licenses.
 - (ii) Expenditure is accrued in the year in which it is incurred.
- 1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.

2 CONSOLIDATION

The balance sheet includes the Rates and General Service, Housing Service and the different funds, reserves and provisions. All inter departmental charges are set-off against each other with the exception of assessment rates and refuse removal which are treated as income and expenditure in the respective departments.

3 FIXED ASSETS

- 3.1 *Fixed assets are stated :*
- (i) at historical cost, or
 - (ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, whilst they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Chief Financial Officer.

4 DEPRECIATION

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful lives. Apart from advances from the various Council funds, assets may also be acquired through:

- (i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and therefore it is unnecessary to make any further provision for depreciation.
 - (ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 4.1 All net proceeds from the sale of fixed property are credited to either the Public Improvement Fund or Capital Development Fund, depending on which fund the property was acquired for and charged to. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.
- 4.2 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated useful lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time the advance was made.

5 INVENTORY

Stock is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

6 FUNDS, RESERVES AND PROVISIONS

- 6.1 *Capital Development Fund*
Section 103(9)(b) of the Local Authorities Ordinance 1974 (No. 25 of 1974) states inter alia that Council shall pay unto each Capital Development Fund not less than three per cent of the annual revenue accruing to the Borough Fund and to the relevant Trading Fund.
- 6.2 *Public Improvement Fund*
All monies raised in terms of Section 103(3) of the Local Authorities Ordinance 1974 (Ordinance No. 25 of 1974) are paid into the Public Improvement Fund. Advances from the Fund are repaid with the rate of interest determined by the Council.

6.3 *Housing Operating Account*

In terms of the Housing Act (Act 107 of 1997), the following has been implemented:

- (i) Amounts owing in respect of Provincial Housing Board loans, which have been extinguished, have been reflected in the Housing Operating Account.
- (ii) Fixed assets and housing debtors relating to these loans have been retained in the housing service.
- (iii) All monies held in the Housing Operating Account not used, are invested with a public institution in accordance with the Housing Act. Interest received on such amounts invested is held for future housing development.

6.4 *Leave Provision*

The Leave Pay Provision was established in order to provide for accrued leave payments to all employees as well as commutation of leave accruals during the year.

6.5 *Reserves*

Reserves were established for all conditional grants received from National and Provincial Government. These funds are specifically allocated to the purpose the grant was intended for and expenditure debited against these reserves should be in accordance with the respective business plan.

6.6 *Bad Debt Provision*

A provision equal to the anticipated risk as at 30 June is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than one hundred and twenty days. The current provision is not adequate and addition contributions will be made in future years pending the availability of funds in the accumulated surplus till the 120 days outstanding amount have been reached.

7 RETIREMENT BENEFITS

Current contributions, past service costs and service adjustments are charged against operating income on the basis of current service costs.

Mtubatuba Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules

Full actuarial valuations are performed at least every three years. The last valuation was done on 31 March 2003

8 LEASED ASSETS

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

9 INVESTMENTS

Investments are shown at the lower cost or, if a permanent decline in their value occurred, at market value.

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of

10 INCOME RECOGNITION

10.1 *Assessment Rates*

The Council applies a flat rate.

11 ADMINISTRATION AND OTHER OVERHEADS EXPENSES

All administration and other overhead expenses are expensed against income received.

12 SURPLUSES AND DEFICITS

Surpluses or deficits arising from all operations are retained within the Rate and General Services account. Any surpluses or deficits arising from the operation of the electricity services are retained in the Services for their own use at the municipality and shown under the net debtor account.

NQUTHU MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2007

	Note	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
<u>CAPITAL EMPLOYED</u>			
FUNDS AND RESERVES		4 620 376	2 106 110
Statutory Funds	1	2 016 505	1 895 140
Reserves	2	2 603 870	210 970
ACCUMULATED SURPLUS	14	14 268 293	3 409 056
LONG-TERM LIABILITIES	4	5 782 006	340 836
		<u>24 670 675</u>	<u>5 856 002</u>
<u>EMPLOYMENT OF CAPITAL</u>			
FIXED ASSETS	6	6 681 639	581 660
NET CURRENT ASSETS/(LIABILITIES)		17 989 036	5 274 342
CURRENT ASSETS		26 540 994	15 861 854
Inventory	3	-	147 800
Investments	7	3 310 040	1 895 140
Debtors	8	23 230 954	6 804 597
Cash at Bank			7 014 317
CURRENT LIABILITIES		8 551 958	10 587 512
Provisions	9	1 715 509	478 278
Creditors	10	713 738	10 109 234
Consumer Deposits	5	491 912	
Loans - Short term portion	4	658 810	-
Bank overdraft	26	4 971 989	
		<u>24 670 675</u>	<u>5 856 002</u>

NQUTHU MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 ACTUAL INCOME R	2006 ACTUAL EXPENDITURE R	2006 SURPLUS/ (DEFICIT) R		2007 ACTUAL INCOME R	2007 ACTUAL EXPENDITURE R	2007 SURPLUS/ (DEFICIT) R	2007 BUDGET SURPLUS/ (DEFICIT) R
20 009 222	14 317 088	5 692 134	RATES AND GENERAL SERVICES	23 334 063	11 826 709	11 507 354	7 852 375
19 687 670	12 304 289	7 383 381	Rates & General services	19 571 286	11 242 417	8 328 869	6 350 410
65 981	1 423 190	(1 357 209)	Subsidised Services	116 994	524 366	(407 372)	(1 346 305)
255 571	589 609	(334 038)	Economic Services	3 645 783	59 926	3 585 857	2 848 270
2 580 640	5 063 438	(2 482 798)	TRADING SERVICES	3 357 257	4 316 420	(959 163)	(563 472)
2 580 640	5 063 438	(2 482 798)	Electricity	3 357 257	4 316 420	(959 163)	(563 472)
22 589 862	19 380 526	3 209 336	TOTAL	26 691 320	16 143 129	- 10 548 191	- 7 288 903
		(59 544)	Appropriations for the year			311 047	
		3 149 791	Net surplus for the year			10 859 238	
		259 264	Accumulated surplus beginning of the year			3 409 055	
		3 409 055	Accumulated surplus end of the year			14 268 293	

NQUTHU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES			
		(4 471 426)	4 076 814
Cash generated by operations	15	(10 778 699)	(26 987 460)
Investment Income		211 974	98 531
(Increase)/Decrease in Working Capital	16	6 095 299	5 086 144
		(4 471 426)	(21 802 785)
Less: External Interest paid		-	(16 399)
Cash utilised by operations		(4 471 426)	(21 819 184)
Operating Grants			25 895 998
Proceeds on disposal of fixed assets			-
Capital contributions from the Public and state			
CASH UTILISED IN INVESTING ACTIVITIES:			
Investments in Fixed Assets			(44 513)
NET CASH FLOW		(4 471 426)	4 032 301
CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease)/Increase in Long-term Loans (External)	17	(6 099 980)	(238 074)
Decrease/(Increase) in External Cash investments	18	(1 414 900)	(98 531)
(Increase)/Decrease in Cash on Hand	19	11 986 306	(3 695 696)
NET CASH GENERATED/(UTILISED)		4 471 426	(4 032 301)

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NQUTHU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007

	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
1 STATUTORY FUNDS		
Consolidated Capital Development Fund	1 290 105	1 168 740
Public Improvement Fund	726 400	726 400
(Appendix A for more detail)	<u>2 016 505</u>	<u>1 895 140</u>
2 RESERVES		
Development & Planning Capacity Building		24 793
Infrastructure Grant	458 219	312 000
Taxi Project		1 094 206
LED Grant		215 364
I D P Grant	21 934	45 826
Municipal Support Grant		15 717
Municipal Assistance Program	1 140 835	893 685
Financial Management Grant	640 381	354 355
GIS Grant	73 905	158 855
Mun Fin Management Act Implementation	100 000	145 000
Property Rates Act Grant		233 125
Inter Dep Monitoring	-13 338	100 000
Anti Corruption Grant		134 500
Aestabishment Grant		738 214
LUMS Grant	33 787	130 871
DBSA Grant	0	-1 383 890
MIG Capital Grant	-6 490 506	-3 632 575
Housing Grant	-1 016 261	-415 048
MSIG Grant	1 026 372	348 452
Asset Register	-14 432	-5 707
Umsobomvu Grant	111 808	-28 333
PMS Grant	-145 600	4 400
CDW Grant	58 679	67 112
Project Consolidate		660 048
Unidentified Grants	11 138 992	
Grader & Tipper Grant	212 139	
Dev Prop Valuation Roll Income	170 000	
Qhudeneni Link Road	-4 903 044	
	<u>2 603 870</u>	<u>210 970</u>
3 INVENTORY		
Stock on hand	-	147 800
	<u>-</u>	<u>147 800</u>
4 LONG TERM LIABILITIES		
Annuity Loans	6 440 816	340 836
	<u>6 440 816</u>	<u>340 836</u>
Less: Current portion transferred to current liabilities	658 810	
	<u>5 782 006</u>	<u>340 836</u>
5 CONSUMER DEPOSITS		
Electricity Services	491 912	492 122
	<u>491 912</u>	<u>492 122</u>
6 FIXED ASSETS		
Fixed assets at the beginning of the year	26 946 343	26 901 830
Capital outlay during the year	7 100 297	44 513
	<u>34 046 640</u>	<u>26 946 343</u>
Less: Assets written off, transferred or disposed of during the year	-	
Total fixed assets	<u>34 046 640</u>	<u>26 946 343</u>
Less: Loans redeemed and other capital receipts	27 365 001	26 364 684
Nett fixed assets	<u>6 681 639</u>	<u>581 659</u>
(Appendix C for more detail)		
7 INVESTMENTS		
Unlisted		
Short term deposits	3 310 040	1 895 140
Total Investments	<u>3 310 040</u>	<u>1 895 140</u>
Management's valuation of unlisted investments	<u>3 310 040</u>	<u>1 895 140</u>
Average gross rate of return on investments		

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

No investments have been written off during the year.

NQUTHU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007

	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
8 DEBTORS		
Current Debtors (Consumers and others)	8 475 279	6 776 250
Salaries Suspense to be Reallocated	15 149 872	
Cash Advances	6 428	
Sundry	12 192	12 192
V A T Sars Claim/Due	532 791	693 780
	<u>24 176 562</u>	<u>7 482 222</u>
Less: Provision for bad Debt	945 608	677 625
	<u>23 230 954</u>	<u>6 804 597</u>
Days outstanding in debtors amount to	133	
9 PROVISIONS		
Leave Pay	1 415 509	614 802
Audit Fees	300 000	
(Appendix A for more detail)	<u>1 715 509</u>	<u>614 802</u>
10 CREDITORS		
Trade Creditors	705 101	9 617 111
Hall Hire Deposits	8 636	
	<u>713 737</u>	<u>9 617 111</u>
11 ASSESSMENT RATES		
General rate		
Residential	0.0000	0.0000
Commercial and Industrial	0.0000	0.0000
Refuse rate		
Residential	0.0000	0.0000
Commercial and Industrial	0.0000	0.0000
Property Valuation at 01 July 1997		
General	0.0000	0.0000
Rates Income		
General	0.0000	0.0000

NQUTHU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007

	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
12 COUNCILORS REMUNERATION		
Mayor's Allowance	268 822	70 915
Deputy Mayor's Allowances	263 123	29 284
Speakers Allowances	198 090	
Executive Committee Allowances	566 708	
Councilor's Allowances	2 960 731	804 700
	<u>4 257 474</u>	<u>904 899</u>
13 FINANCE TRANSACTIONS		
External Interest earned or paid		
Interest Earned	-	98 531
Interest Paid		16 399
Capital charges debited to operating account		
Interest		
External	-	16 389
Internal	-	
Redemption		
External	920 442	238 074
Internal	-	
	<u>920 442</u>	<u>369 393</u>
14 APPROPRIATIONS		
Appropriation Account		
Accumulated surplus at the beginning of the year	3 409 056	259 264
Operating surplus for the year	10 548 191	3 209 336
Appropriations for the year	311 047	(59 544)
Accumulated surplus/(deficit) at the end of the year	<u>14 268 294</u>	<u>3 409 056</u>
15 CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	10 548 191	3 209 336
Previous years operating transactions		(59 544)
Appropriations charged against income:		204 385
Capital Development Fund	-	159 872
Provisions and Reserves	-	44 513
Fixed Assets	-	
Capital Charges	920 442	254 473
Interest Paid		-
- Internal Funds	-	16 399
- External Loans	-	-
Redemption		-
- Internal Advances	-	-
- External Loans	920 442	238 074
Grants E/S	(22 247 332)	(19 253 454)
Investment income (Operating Account)	-	-
Internal Interest Transferred to operating Account		
Non-Operating Income		
Public Improvement Fund	-	-
Consolidated Capital Development Fund	-	-
Grants Income		
Non-Operating Expenditure		
Provisions & Reserves	-	(11 342 656)
Net movement in working capital	<u>(10 778 699)</u>	<u>(26 987 460)</u>

NQUTHU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007

	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
16 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/Decrease in Inventory	147 800	
(Increase)/Decrease in Current Debtors	16 426 357	(2 304 688)
Increase/(Decrease) in Creditors	(10 330 848)	7 390 596
Increase/(Decrease) in consumer Deposits	(210)	236
	<u>6 095 299</u>	<u>5 086 144</u>
17 INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	7 020 422	-
Loans Repaid	(920 442)	(238 074)
	<u>6 099 980</u>	<u>(238 074)</u>
18 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments Made	1 414 900	-
Investments Realised	-	(98 531)
	<u>1 414 900</u>	<u>(98 531)</u>
19 (INCREASE)/DECREASE IN CASH ON HAND		
(Overdraft)/Cash beginning of the year	7 014 317	
Cash at end of the year	(4 971 989)	
	<u>11 986 306</u>	<u>7 014 317</u>
20 RETIREMENT BENEFITS		
Employees belong to the following retirement Funds		
21.1 Natal Joint Municipal Pension Fund (Retirement)		
An actuarial valuation was conducted as at 31 March 2003. At a funding level of 90.3% the account was in deficit to the extent of R22,417 million. The Actuary has recommended that special steps be not taken at this stage and that the position be reviewed early in 2004 to determine whether the account can afford the guaranteed increase in pensions to be granted.		
21.2 Natal Joint Municipal Pension Fund (Superannuating)		
At a funding level of 87.9% the account as in deficit to the extent of R 88,660 million. The funding level of the fund decreased from 98.9% to 87.95. The Actuary is satisfied that the self-reinsurance arrangement is appropriate for the fund and that the asset composition of the Fund is appropriate to the nature of the liabilities.		
21.3 Natal Joint Municipal Pension Fund (Provident)		
An actuarial valuation was conducted as at 31 March 2003. The market value of the Fund's assets did not cover the members' share account and the risk/investment reserve accounts. The fund thus held a negative investment reserve. No further action is however required in this regard because the payment of the interim monthly bonus had been suspended and the investment markets have recovered post-31 March 2003.		
21 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for	-	-
Approved but not yet contracted for	-	-
	<u>-</u>	<u>-</u>
This expenditure will be financed from		
Internal sources	-	-
External sources	-	-
Grant and subsidies	-	-
	<u>-</u>	<u>-</u>
22 CONSOLIDATED CAPITAL DEVELOPMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	1 290 105	1 168 740
Less: External Investments	(1 290 105)	(1 168 740)
Temporary borrowings		
	<u>-</u>	<u>-</u>
(Refer to Appendices A and B for more detail)	<u>-</u>	<u>-</u>
23 PUBLIC IMPROVEMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	726 400	726 400
Less: External Investments	(726 400)	(726 400)
Temporary Borrowings		
	<u>-</u>	<u>-</u>
(Refer appendices B for more detail)	<u>-</u>	<u>-</u>

NQUTHU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007

	<u>2007</u> <u>R</u>	<u>2006</u> <u>R</u>
24 SENIOR MANAGEMENT REMUNERATION.		
In terms of Section 124 of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
1. Total gross remuneration of the Municipal Manager, Chief Financial Officer and senior management. The gross remuneration disclosed is for 12 months unless otherwise stated and includes performance bonus:		
Municipal Manager	486 805	-
Director Corporate Services	405 666	-
Director Financial Services	373 054	-
Director Technical Services	383 885	-
	<u>1 649 410</u>	<u>-</u>
25 CONTRIBUTIONS		
In terms of Section 125(c) of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
PENSIONFUND CONTRIBUTIONS	<u> </u>	<u>-</u>
MEDICAL AID CONTRIBUTIONS	<u> </u>	<u>-</u>
Due to the backlog and posting to the financial system this figures are not available		
26 BANK ACCOUNTS		
In terms of Section 125(2)(a) of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
PRIMARILY BANK ACCOUNT		
Cheque Account - Absa Bank Newcastle		
Account No : 4053562762		
Year opening balance	-	-
Movement	-	-
Year end balance	<u>(5 025 840)</u>	<u>-</u>
OTHER BANK ACCOUNTS		
1 Cheque Account - Absa Bank Newcastle		
Account Nc 4061817353		
Year opening balance	-	-
Movement	-	-
Year end balance	<u>53 851</u>	<u>-</u>
2 Cheque Account - Absa Bank Newcastle		
Account Nc 4068120420		
Year opening balance	-	-
Movement	-	-
Year end balance	<u>1</u>	<u>-</u>
27 CONTINGENT LIABILITIES AND CONTACTUAL OBLIGATIONS.		
None	<u> </u>	<u> </u>

NQUTHU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007

28 POST BALANCE SHEET EVENTS

None

APPENDIX A

NQUTHU MUNICIPALITY

STATUTORY FUNDS, RESERVES AND PROVISIONS

	BALANCE AT 1 JULY 2006	CONTRIBUTION S FOR 2006/2007	INTEREST ON INVESTMENTS	OTHER INCOME	INTEREST ON INTERNAL ADVANCES	EXPENDITURE FOR 2006/2007	BALANCE AT 30 JUNE 2007
STATUTORY FUNDS							
Consolidated Capital Development Fund	1 168 740			121 365			1 290 105
Public Improvement Fund	726 400						726 400
	1 895 140	-	-	121 365	-	-	2 016 505
RESERVES							
Development & Planning Capacity Building	24 793					24 793	-
Infrastructure Grant	312 000			200 000		53 781	458 219
Taxi Project	1 094 206					1 094 206	-
LED Grant	215 364					215 364	-
I D P Grant	45 826					23 892	21 934
Municipal Support Grant	15 717					15 717	-
Municipal Assistance Program	893 685			604 751		357 601	1 140 835
Financial Management Grant	354 355			500 000		213 974	640 381
GIS Grant	158 855					84 950	73 905
Mun Fin Management Act Implementation	145 000					45 000	100 000
Property Rates Act Grant	233 125					233 125	-
Inter Dep Monitoring	100 000					113 338	(13 338)
Anti Corruption Grant	134 500					134 500	-
Aestablishment Grant	738 214					738 214	-
LUMS Grant	130 871					97 084	33 787
DBSA Grant	(1 383 890)					1 363 890	-
MIG Capital Grant	(3 632 575)					2 857 931	(6 490 506)
Housing Grant	(415 048)					601 213	(1 016 261)
MSIG Grant	348 452			734 000		56 080	1 026 372
Asset Register	(5 707)					8 725	(14 432)
Umsobomvu Grant	(28 333)			300 000		159 859	111 808
PMS Grant	4 400					150 000	(145 600)
CDW Grant	67 112			66 102		74 535	58 679
Project Consolidate	660 048					660 048	-
Unidentified Grants				11 138 992			11 138 992
Grader & Tipper Grant				1 500 000		1 287 861	212 139
Dev Prop Valuation Roll Income				170 000			170 000
Qhudeneni Link Road						4 903 044	(4 903 044)
	210 970	-	-	15 213 845	-	15 568 725	2 603 870
PROVISIONS							
Bad Debts	677 625	267 983					945 608
Leave Pay		1 415 509					1 415 509
Audit Fees		300 000					300 000
	677 625	1 983 492	-	-	-	-	2 661 117

APPENDIX B

NQUTHU MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

	BALANCE AT 1 JULY 2006	RECEIVED DURING THE YEAR	REDEEMED OR WRITTEN OFF DURING THE YEAR	BALANCE AT 30 JUNE 2007
	R	R	R	R
<u>EXTERNAL LOANS</u>				
DBSA	-	7 020 422	619 208	6 401 214
	-	7 020 422	619 208	6 401 214
Lease No 59187231	108 034		105 995	2 039
Lease No 58731388	13 134		12 248	886
Lease No 59751366	111 515		101 662	9 853
Lease No 60152344	38 123		33 385	4 738
Lease No 60983220	70 030		47 944	22 086
				-
	340 836		301 234	39 602
<u>INTERNAL ADVANCES TO BORROWING SERVICES</u>				
-Capital Development Fund	-	-	-	-
	340 836	7 020 422	920 442	6 440 816

APPENDIX C

NQUTHU MUNICIPALITY
ANALYSIS OF FIXED ASSETS

EXPENDITURE 2006	SERVICE	BUDGET 2007	BALANCE AT 1 JULY 2006	EXPENDITURE 2007	REDEEMED, TRANSFERRED OR WRITTEN- OFF	BALANCE AT 30 JUNE 2007
R		R	R	R	R	R
44 513	RATES AND GENERAL SERVICES	-	16 208 012	7 100 297	-	23 308 309
	Land & Buildings		3 435 918	7 020 422		10 456 340
	Roads & Streets		8 105 824			8 105 824
	Parks & Recreation		494 571			494 571
	Fire Service		15 150			15 150
	Motor Vehicles		2 617 558			2 617 558
	Major Plant		263 168			263 168
	Plant & Equipment		256 319			256 319
	Small Tools		4 747			4 747
	Housing		-			-
19 722	Furniture & Fittings		754 826	79 875		834 701
24 791	Computers		259 931			259 931
	SUBSIDISED SERVICES	-	1 287 424		-	1 287 424
-	Market Stalls		1 287 424	-		1 287 424
	ECONOMIC SERVICES	-	1 800 466		-	1 800 466
-	Refuse Site		1 800 466	-		1 800 466
	TRADING SERVICES	-	7 650 441		-	7 650 441
-	Electricity Services		7 650 441	-		7 650 441
44 513	TOTAL FIXED ASSETS	-	26 946 343	7 100 297	-	34 046 640
	LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		26 364 684	1 000 317	-	27 365 001
	Loans redeemed		1 125 006	920 442		2 045 448
	Contribution from operating income		311 980			311 980
	Grants and Subsidies		24 927 698	79 875		25 007 573
	NET FIXED ASSETS		581 659	6 099 980	-	6 681 639

APPENDIX D

NQUTHU MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007

2006 ACTUAL R	INCOME	2007 ACTUAL R	2007 BUDGET R
402 573	Assessment rates		-
19 253 454	Provincial Grants and Subsidies	22 247 332	26 062 325
2 580 640	Sales of Electricity	3 179 143	3 804 049
353 196	Other Service Charges	210 958	220 000
-	Other Income	1 053 888	1 520 632
-	Interest Earned		105 000
22 589 863	Total Income	26 691 321	31 712 006
	EXPENDITURE		
11 214 083	Salaries, Wages and Allowances	367 008	13 346 453
6 303 368	General Expenditure	12 353 267	9 376 900
2 730 382	-Purchase Of Electricity	3 776 900	3 050 000
3 572 986	-Other General Expenditure	8 576 367	6 326 900
1 404 229	Repairs and Maintenance	1 355 177	2 681 300
254 463	Capital Charges	1 324 820	230 000
44 513	Contributions to Capital Outlay	79 875	2 003 835
159 872	Contributions To Funds	662 983	362 983
19 380 527	Gross Expenditure	16 143 129	28 001 470
	Less: Amounts Charges out		-
19 380 527	Net Expenditure	16 143 129	28 001 470

NQUTHU MUNICIPALITY

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 ACTUAL INCOME R	2006 ACTUAL EXPENDITURE R	2006 SURPLUS/ (DEFICIT) R		2007 ACTUAL INCOME R	2007 ACTUAL EXPENDITURE R	2007 SURPLUS/ (DEFICIT) R	2007 BUDGET SURPLUS/ (DEFICIT) R
20 009 222	14 317 088	5 692 133	RATES AND GENERAL SERVICES	23 334 063	11 826 709	11 507 354	7 852 375
19 687 670	12 304 289	7 383 381		19 571 286	11 242 417	8 328 869	6 350 410
19 253 454	2 584 822	16 668 632	Council's General Expenditure	3 898 500	1 264 090	2 634 410	1 016 724
231 252	2 167 223	(1 935 971)	Municipal Manager	400 000	434 928	(34 928)	(211 406)
-	928 546	(928 546)	Finance	6 435 633	1 771 754	4 663 879	4 151 310
187 533	2 693 470	(2 505 937)	Public Conveniences	-	42 319	(42 319)	(367 276)
15 431	3 930 228	(3 914 797)	Management	-	-	-	-
65 981	1 423 190	(1 357 210)	Housing & Building Inspectorate	-	57 784	(57 784)	(595 922)
8 841	453 581	(444 740)	Roads & Stormwater	-	144 543	(144 543)	(2 126 751)
16 446	546 615	(530 169)	Streetcleansing	-	70 808	(70 808)	(503 402)
40 694	422 994	(382 300)	Technical	4 809 600	1 136 212	3 673 388	5 742 554
255 571	589 609	(334 038)	Corporate Services	4 027 553	6 319 979	(2 292 426)	(755 421)
-	-	-	Subsidised Services	116 994	524 366	(407 372)	(1 346 305)
255 571	589 609	(334 038)	Facilities/Libraries	9 157	195 925	(186 768)	(643 254)
2 580 640	5 063 438	(2 482 798)	Cemetery	30 012	12 662	17 350	(478 970)
2 580 640	5 063 438	(2 482 798)	Community Hall	77 825	315 779	(237 954)	(224 081)
22 589 862	19 380 526	3 209 335	Economic Services	3 645 783	59 926	3 585 857	2 848 270
		(59 544)	Market Stalls			-	
		3 149 791	Refuse	3 645 783	59 926	3 585 857	2 848 270
		259 264	TRADING SERVICES	3 357 257	4 316 420	(959 163)	(563 472)
		3 409 055	Electricity	3 357 257	4 316 420	(959 163)	(563 472)
			TOTAL	26 691 320	16 143 129	10 548 191	7 288 903
			Appropriations for the year			311 047	
			Net surplus for the year			10 859 238	
			Accumulated surplus beginning of the year			3 409 055	
			Accumulated surplus end of the year			14 268 293	

NQUTHU MUNICIPALITY

STATISTICAL INFORMATION

	2007	2006
a) General Statistics		
i) Population - Approximately	147 954	147 954
b) Electricity Statistics		
i) Number of users Commercial and Residential	3 500	1 187
ii) Units bought	6 086 672	6 086 672
iii) Units sold	2 332 282	2 332 282
iv) Units lost in distribution (ii-iii)	3 754 390	3 754 390
v) Units lost in distribution as a % of (ii)	61.68%	61.68%
vi) Cost per unit bought (R)	0.1299	0.1299
vii) Loss in distribution (iv x vi) (R)	487 695	487 695
viii) Cost per unit sold (operating expenditure/iii)	1.34	1.34
ix) Income per unit sold (operating income/iii)	0.96	0.96
c) Sundry Statistics		
i) Area in km squared	1 451	2 036
ii) Previous election number of registered voters (for entire Nquthu Municipality)	56 374	47 193
iii) Building survey - Total number of building plans passed		
- Value of building plans passed	2 060 422	2 060 422
- Number of inspections performed	15	15
- Plan fees	1 614	7 080
v) Total personnel in the service of the Municipality	153	154
vi) Total number of library books and audio visuals aids issued	1 614	47 500
vii) Cleansing: refuse removed and dumped	1 798	1 798
viii) Roads and works: Km of roads constructed/repared	8km	8km
ix) Housing - Number of houses	25 655	23
- Number of people accommodated	128 275	138